



MILWAUKEE OFFICE MARKET REPORT Q2 2023

Introduction

Despite national news that the office market is dead, and the worst may still lie ahead, the Milwaukee office market has fared considerably well in Q2. Positive absorption was seen in 6 of the 10 submarkets tracked and the year-to-date absorption levels are close to even. Average Class A gross rents are up while Class B are flat. Concession packages were up slightly to offset increased construction costs, operating expenses, and general move costs. All of that being said, Tenant interest, tours, and general activity was strong in Q2 with hopeful expectations for an impressive Q3.

To reiterate from last quarter, Founders 3 undertook a significant reclassification of properties effective in the Q1 2023 Market Report for accurate reporting purposes. Recent deliveries to the market along with property renovations and upgrades resulted in a higher threshold of standards necessary to be included in the Class A property set. While some Class A buildings moved to Class B because they fell behind in quality and amenity offerings there were a few Class B properties moved to Class A due to upgrades.

Additionally, another important note in comparing 2023 market reports to previous years - 100 East Wisconsin, once one of downtown Milwaukee's premiere Class A properties was dropped from the tracked set. The property became the subject of receivership and has been in foreclosure since April 2021. The sale to 100 East Propco, LLC for \$28.75 million was approved in March 2023 but has not closed. 100 East Propco announced plans to move tenants out of the building and convert it to multi-family once the sale closes.

MARKET SNAPSHOT

	VACANCY	ABSORPTION	SUBLEASE	CLASS A RENT	CLASS B RENT
DOWNTOWN*	22.08%	-4,744	343,276	\$31.65	\$22.43
SUBURBS	21.90%	97,174	267,055	\$24.39	\$18.69
TOTAL/AVERAGE	21.98%	92,430	610,331	\$28.02	\$20.56

*Downtown includes Downtown East, Downtown West and Third Ward/Walker's Point submarkets.

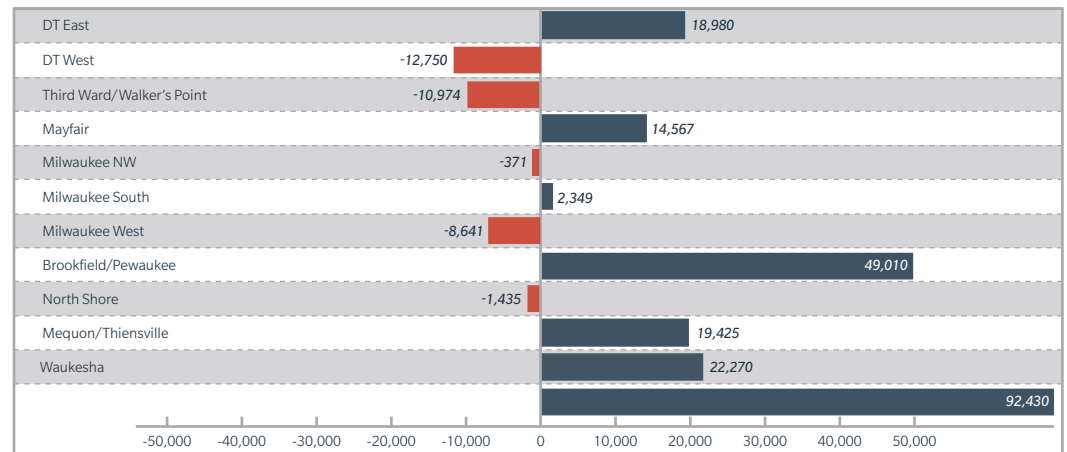
Market Overview

The overall market ended the quarter with a 21.98% vacancy rate. The Downtown submarket was extremely stagnant with minimal negative absorption while the Suburban markets saw some modest positive absorption resulting in 92,430 square feet of positive absorption for Q2. The estimated overall asking rate rose slightly to \$20.87 per square foot versus \$20.78 per square foot in Q1 2023.

Sublease in the Market

There is currently 610,331 SF of sublease space on the market, representing approximately 2.16% of the 28,370,266 square foot total inventory. This is a slight increase of approximately 8,000 square feet from Q1 2023. As with previous quarters, although the amount of sublease space appears high, some of the space marketed as available is still occupied by the prime lessee and not, in fact, vacant. In addition, due to constraints and special provisions (i.e., limited remaining terms, current condition of improvements and lack of flexibility in size), most of the sublease space rarely competes with the direct market for active tenants.

Q2 ABSORPTION



Downtown Market

Class A downtown submarkets posted 25,289 positive absorption versus Class B posting negative 30,033 square feet for a total of 4,744 square feet of negative absorption in Q2. Class A and B gross average asking rates were \$31.65 per square foot and \$22.43 per square foot, respectively. The overall downtown vacancy was 22.08%, with Class A vacancy at 18.82% and Class B at 24.11%. (Note: The Class A vacancy rate does not include 100 East vacancy of 221,927 SF)

In Downtown East, Baird extends its lease at the U.S. Bank Center by five years. They are the largest tenant, occupying 21 floors in the building. The lease has been extended to 2033 for 456,000 square feet of space. Baird is also adding signage to the top of the building. Engineering and architecture firm, HNTB, expanded its downtown office space at 250 E Wisconsin Ave, now occupying 30,694 square feet. Wells Fargo is moving its commercial lending office from 100 East to 833 East Michigan, owned by Irgens. Wells Fargo is the first tenant to move from 100 East since the property went into foreclosure in 2021.

Group RMC, the new owner of Milwaukee’s Chase Tower office building, is following the flight-to-quality trend by planning a multi-million-dollar renovation. They are fully renovating the lobby, first-floor fitness center with a locker room and shower, a tenant lounge, and a common conference and training room.

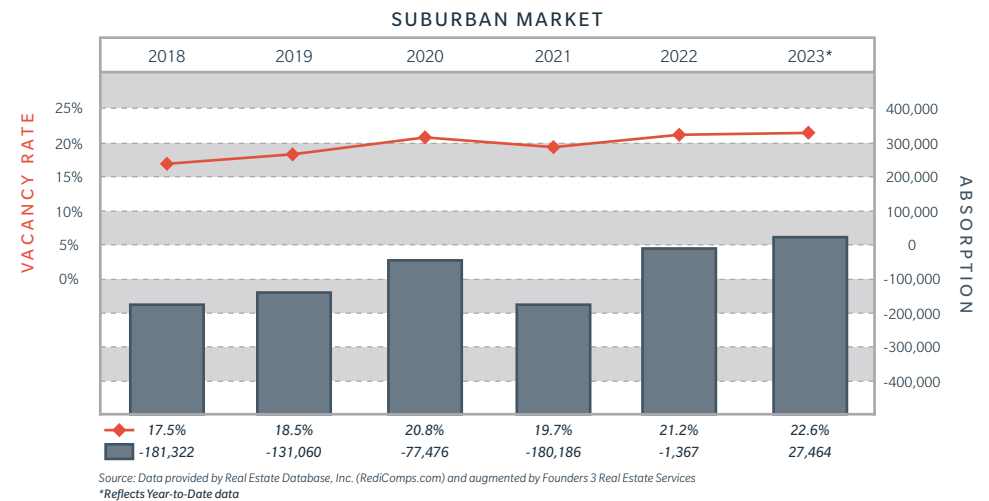
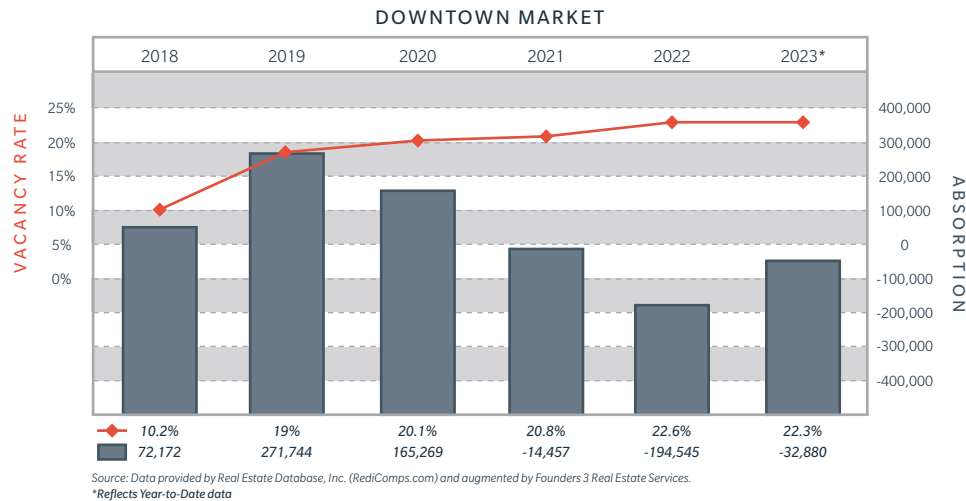
Suburban Market

The suburban market experienced 97,174 square feet of positive absorption. The overall vacancy rate ended the quarter at 21.90%, with as Class A at 24.73% and Class B at 21.05%, respectively. Class A and B gross average rates were \$24.39 per square foot and \$18.69 per square foot, respectively, resulting in an overall average gross asking rate of \$20.87 per square foot.

Many businesses are moving offices to the suburbs of Milwaukee. For example, Regal Ware has committed to moving their office headquarters to Milwaukee’s far northwest side at 11270 Park Place. They will occupy about 18,000 square feet since selling their former headquarters at 1675 Regal Drive in Kewaskum to the village of Kewaskum.

Annex Wealth Management will also be moving their headquarters further west to Brookfield in early 2024. They plan to occupy nearly 50,000 square feet of space in the former FedEx building, 17950 W Corporate Drive. American Transmission Co. is currently seeking permission from regulators to buy and renovate its Pewaukee corporate headquarters for \$91 million. They currently lease the 152,000 square foot facility at W234 N2000 Ridgeview Parkway Court. This renovation would include updating workstations, conference rooms, and more.

Trade Press Media Group is moving to the Milwaukee County Research Park at 10001 W Innovation Drive in Wauwatosa, from their current location at 2100 W Florist Avenue in Glendale.



NOTABLE LEASE TRANSACTIONS

Location	Submarket	Tenant	SF Leased
1555 N. Rivercenter Drive	DT West	Independent Care Health Plan (iCare)	19,990
6737 W Washington Avenue	West Allis	Hill-Rom Company, Inc.	18,004
11270 Park Place	Milwaukee NW	Regal Ware	17,938
10001 W Innovation Drive	Mayfair	Trade Press Media Group	11,005

Downtown includes Downtown East, Downtown West and Third Ward/Walker's Point submarkets.

NOTABLE LEASE TRANSACTIONS (CONT.)

Location	Submarket	Tenant	SF Leased
790 N Water Street	DT East	Silvercrest Asset Management Group	11,194
18500 W Corporate Drive	Brookfield	Old Republic Surety Company	31,521
20825 Swenson Drive	Brookfield	JD North America	8,974
320 E Buffalo Street	Third Ward	Simpson & Deardorff	8,475

Submarket	Buildings	Building Size	Q2-2023 Direct Vacancy %	Q2-2023 Direct Vacant SF	Q2-2023 Absorption	Q2-2023 Sublease Space	Estimated Overall Average Asking Rent (FSG)
Downtown - East							
A	12	4,499,104	16.63%	748,354	17,691	129,658	\$32.69
B	27	2,625,288	20.85%	547,274	1,289	37,000	\$20.73
Total	39	7,124,392	18.19%	1,295,628	18,980	166,658	\$24.89
Downtown - West							
A	1	68,371	0.00%		0	13,000	\$28.00
B	24	3,069,714	31.27%	959,955	(12,750)	100,204	\$22.04
Total	25	3,138,085	30.59%	959,955	(12,750)	113,204	\$22.41
Third Ward/Walker's Point							
A	2	297,047	56.24%	167,073	7,598		\$29.32
B	34	2,103,572	17.73%	373,027	(18,572)	63,414	\$24.29
Total	36	2,400,619	22.50%	540,100	(10,974)	63,414	\$24.82
Mayfair							
A	13	1,569,637	23.02%	361,280	18,688	36,322	\$26.99
B	25	1,304,825	23.03%	300,512	(4,121)	19,113	\$18.64
Total	38	2,874,462	23.02%	661,792	14,567	55,435	\$21.59
Milwaukee - NW							
A	6	789,885	25.18%	198,929	0		\$21.51
B	24	1,109,618	27.99%	310,591	(371)	55,285	\$15.75
Total	30	1,899,503	26.82%	509,520	(371)	55,285	\$17.10
Milwaukee - South							
A	-	-	-	-	-	-	-
B	15	640,126	13.33%	85,319	2,349	5,691	\$17.28
Total	15	640,126	13.33%	85,319	2,349	5,691	\$17.28
Milwaukee - West							
A	-	-	-	-	-	-	-
B	16	1,722,795	16.12%	277,691	(8,641)	115,856	\$18.13
Total	16	1,722,795	16.12%	277,691	(8,641)	115,856	\$18.13
Brookfield/Pewaukee							
A	10	940,734	16.71%	157,187	30,829	5,619	\$23.92
B	100	4,878,560	25.31%	1,234,901	18,181	17,932	\$19.96
Total	110	5,819,294	23.92%	1,392,088	49,010	23,551	\$20.45
North Shore							
A	2	175,962	66.21%	116,513	0		\$24.45
B	26	927,167	16.71%	154,897	(1,435)	10,755	\$19.56
Total	28	1,103,129	24.60%	271,410	(1,435)	10,755	\$20.54
Mequon/Thiensville							
A	1	37,670	16.56%	6,237	10,013		\$24.00
B	12	329,246	19.91%	65,547	9,412		\$17.51
Total	13	366,916	19.56%	71,784	19,425		\$18.33
Waukesha							
A	1	53,913	78.16%	42,141	0		
B	32	1,038,856	8.32%	86,437	22,270	482	\$17.06
Total	33	1,092,769	11.77%	128,578	22,270	482	\$17.06
GRAND TOTALS							
A	48	8,432,323	21.32%	1,797,714	84,819	184,599	\$26.36
B	335	19,749,767	22.26%	4,396,151	7,611	425,732	\$19.18
Total	383	28,182,090	21.98%	6,193,865	92,430	610,331	\$20.87

YOUR LOCAL OFFICE EXPERTS



Ned Purtell, CCIM, SIOR
Partner
npurtell@founders3.com
414.249.2330



John Davis
jdavis@founders3.com
414.249.2303



Kate Hanson
khanson@founders3.com
414.249.2301



Patti Stevens
pstevens@founders3.com
414.249.2318



Jeanine Sweeney
jsweeney@founders3.com
414.249.2307



Tiffany-Jo Bradley
Marketing and Research
tbradley@founders3.com
414.249.2320

FOUNDERS 3
REAL ESTATE SERVICES

330 E. Kilbourn Avenue, Suite 800
Milwaukee, WI 53202

414.271.1111 | founders3.com